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6/12/95



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF GAMING ENFORCEMENT
CN 047

TRENTON, NJ 08625-0047

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Governor

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Director

June 9, 1995

REDACTED

Honorable Bradford S. Smith
Chairman
Casino Control Commission
Boardwalk and Tennessee Avenue
Arcade Building
Atlantic City, New Jersey 08401

Re: Application of Trump Taj Mahal Associates for Renewal of
a Casino License (PRN 003501)
Supplemental Report

Dear Chairman Smith:

I. INTRODUCTION

On February 24, 1995, and amended on March 1, 1995, the
Division of Gaming Enforcement ("Division") filed its report on the
petition on Trump Taj Mahal Associates ("TTMA") for renewal of its
casino license ("Division's Initial Report"). On March 22, 1995,
the Casino Control Commission ("Commission") extended TTMA's casino
license through June 30, 1995. Resolution No. 95-6-17.
Additionally, the Commission consolidated TTMA's license renewal
proceedings with the casino license renewal proceedings for Trump's
Castle Associates ("TCA") and Trump Plaza Associates ("TPA").
Ibid. The Division files this supplemental report to update the
Division's Initial Report.

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(609) 292-9394



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II. GENERAL INFORMATION

Individuals

In connection with the casino license renewal application of TTMA, there are a number of individuals who must qualify to the standards applicable to casino key employees. See N.J.S.A. 5:12-85(c); N.J.S.A. 5:12-85(d). These natural person qualifiers are officers and directors of TTMA, TM/GP Corporation ("TM/GP"), Trump Taj Mahal, Inc. ("TTMI"), Trump Taj Mahal Corporation ("TTMC"), Trump Taj Mahal Funding Inc. ("Funding") and Taj Mahal Holding Corp. ("Holding"). The Division previously identified 38 individuals required to qualify. Division's Initial Report at exhibit 2. In its Entity and Qualifier Report, dated March 15, 1995 ("E&Q Report"), the Commission, however, identified 39 individuals required to qualify, because of the addition of Robert M. Pickus, Senior Vice President of Administration and Corporate Affairs, who had assumed that position after the Division's Initial Report was filed. E&Q Report at 12-15. Since then, William Blasiek has resigned his position as TTMA's Vice President, Sales and Marketing. Accordingly, there are, once again, 38 individuals required to qualify in connection with TTMA's 1995 casino license renewal application.

Additionally, please note that the position of Nicholas F. Moles has changed since the E&Q Report was issued. In addition to his employment as Senior Vice President, Law and General Counsel, Moles now also serves as Secretary of TM/GP and Holding.

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With these two changes, the Division is in agreement with the E&O Report. Moreover, as of the date of this report, the Division has not developed negative information that would prevent the qualification of any of these individuals, unless as set forth in various letters that may have been or will be filed with the Commission.

III. LITIGATION

Citibank N.A. v. TTMA et al.

On or about February 13, 1995, Citibank, N.A. ("Citibank") filed a complaint in the Supreme Court of New York, New York County ("New York Court"), alleging that TTMA encouraged a Citibank employee to gamble, even though TTMA knew or should have known that the employee was gambling with money that had been stolen. On May 8, 1995, the New York Court executed a Stipulation and Order dismissing the complaint and permitting the filing of an amended complaint. Among other things, the stipulation dropped Donald J. Trump ("DJT") as a defendant.

One day later, on May 9, 1995, Citibank filed its amended complaint, alleging specifically that TTMA had knowledge of the embarrassment and acted in bad faith in accepting funds from the Citibank employee. TTMA, TTNI, TTNC and TM/GP are now the named defendants.

The Division will continue to monitor developments in this lawsuit.

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IV. SIGNIFICANT EVENTS AND OTHER MATTERS

A. Casino and Hotel Expansion

The Casino Reinvestment Development Authority ("CRDA") approved TTMA's Atlantic City Loan Program application to add 500 hotel rooms to its casino hotel and reserved an amount equal to \$20.25 million in casino reinvestment credit. To date, TTMA has not begun construction.

B. Steel Pier

TTMA currently leases the Steel Pier, subject to conditions imposed by the New Jersey Department of Environmental Protection ("DEP") when it issued a Coastal Area Facilities Review Act ("CAFRA") permit. Since originally issued, the CAFRA permit has been modified several times, permitting the extension of the required commencement and completion dates of the improvements to the Steel Pier, provided the Steel Pier was used in the interim for an amusement park. On March 10, 1995, DEP indicated that use of the pier as an amusement complex during the 1995 summer season is acceptable, subject to the terms and conditions of the original permit.

C. SEGA Enterprises, Inc.

On February 16, 1995, SEGA Enterprises, Inc. (USA) ("SEGA") set forth terms concerning the development of approximately 25,000 square feet in the skyway connection between TTMA and the Steel Pier into an amusement arcade. The parties have not yet agreed upon the plans and specifications for the arcade games and

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attractions, and negotiations are continuing. As a result, the project has not yet commenced construction.

V. FINANCIAL REVIEW

Since the Division's Initial Report was filed, TTMA's financial results for the four-month period ended April 30, 1995, have become available. TTMA exceeded its forecast for Gross Operating Profit ("GOP") and continues to be in substantial compliance with the financial stability regulations. N.J.A.C. 19:43-4.2.

Table 1 below presents TTMA's GOP and GOP margin for the four months ended April 30, 1995 and 1994.

Table 1
Trump Taj Mahal Associates
Statements of Income
For the Four Months Ended April 30, 1995 and 1994
(\$ in thousands)

	1995	1994	Favorable (Unfavorable) Variance	
			\$	%
Net Revenue	\$167,040	\$159,967	\$7,073	4.42
Costs & Expenses	129,562	128,167	(1,395)	(1.08)
GOP	\$37,478	\$31,800	\$5,678	17.85
GOP Margin	22.43	19.92	N/A ¹	N/A ¹

TTMA generated \$37.5 million in GOP for the first four months of 1995, representing an \$6 million, or 17.85, increase from 1994.

¹Not applicable.

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Additionally, TTMA was able to improve its GOP margin by 3.2 percentage points from 19.2% in 1994's first four months to 22.4% in 1995's first four months. This improvement resulted from a \$13.4 million increase in net revenue that was only partially offset by a \$5.4 million increase in costs and expenses.

The 8.8% improvement in net revenue resulted primarily from a \$5.9 million increase in slot machine revenue, a \$5 million increase in table game revenue and a \$1.3 million increase in poker and keno revenue. The 7.5% improvement in slot machine revenue and the 9.6% improvement in table game revenue is attributable to expanded marketing programs and favorable weather conditions. The increase in poker revenue resulted from expanded poker operations, and the increase in keno revenue resulted from new keno operations.

Costs and expenses increased 4.4% from 1994 due primarily to increased table game marketing costs as well as the addition of keno operations and the expansion of poker and slot machine operations, bus marketing and direct mail slot programs.

Table 2 below compares TTMA's GOP and GOP margin for the four months ended April 30, 1995, to the amounts it forecasted for that period.

Table 2
Trump Taj Mahal Associates
Statements of Income
For the Four Months Ended April 30, 1995
(\$ in thousands)

	Favorable (Unfavorable) Variance		S	I
	Actual	Forecasted		
Net Revenue	\$167,040	[REDACTED]	\$ [REDACTED]	[REDACTED]
Costs & Expenses	129,569	[REDACTED]	[REDACTED]	[REDACTED]
GOP	\$ 37,471	[REDACTED]	[REDACTED]	[REDACTED]
GOP Margin	22.4%	[REDACTED]	[REDACTED]	[REDACTED]

For the first four months of 1995, TTMA's GOP was \$10.4 million, or [REDACTED] forecasts. Additionally, TTMA reported a 22.4% GOP margin for 1995, a [REDACTED] percentage point favorable variance from the [REDACTED] it had forecasted.

The Division had opined that TTMA's operating forecasts for the three-year period ending December 31, 1997, were conservative and that TTMA would not only attain but would also surpass its GOP forecasts. Division's Initial Report at 28. This opinion is now further supported by the [REDACTED] favorable variance in TTMA's GOP for the first four months of 1995.

TTMA's financial resources include its substantial cash balance, which totaled \$84.5 million at April 30, 1995, and its \$25 million credit line. Based on the Division's analysis of

²Not applicable.

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TTMA's financial condition as of April 30, 1995, it appears once again that these resources should be sufficient, barring unforeseen adversity, to provide coverage of TTMA's cash requirements through December 31, 1997.

As previously announced, the Board of Directors of Taj Mahal Holding Corp. authorized BT Securities and Rothschild Inc. to evaluate a recapitalization of TTMA, which was to have included the contribution by DJT of his license to conduct riverboat gaming in Gary, Indiana. Division's Initial Report at 28 to 29. However, according to Forms S-1 filed with the Securities and Exchange Commission on March 30, 1995, as amended on May 11, June 1 and June 6, 1995, by Trump Hotels & Casino Resorts, Inc. ("Trump Resorts"), Trump Hotels & Casino Resorts Holdings, L.P. ("Trump Holdings") and Trump Hotels & Casino Resorts Funding, Inc. ("Trump Funding"), all recently formed companies, DJT now intends to engage in gaming in new jurisdictions through Trump Resorts and raise funds for these ventures through Trump Holdings and Trump Funding. According to the Forms S-1, Trump Resorts will develop and conduct DJT's riverboat gaming project in Gary. Hence, although TTMA may still recapitalize, it appears that such a recapitalization will not include gaming in Gary. The Division will, of course, investigate any recapitalization proposal when it materializes and report its findings to the Commission.

In sum, the Division's opinion is that TTMA's financial stability through December 31, 1997, continues to appear sound.

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Accordingly, as before, the Division submits that TTMA has established the requisite financial stability, integrity and responsibility for a two-year renewal of its casino license. Division's Initial Report at 29.

TTMA has, however, applied for casino licensure for a four-year period. TTMA has not supplied, and the Division has not requested, forecasts for 1998 and 1999. This position was taken with the consultation and concurrence of the Commission staff. In the Division's judgment, forecasts that far into the future are not reliable and should not be used as a basis for forming an opinion on the licensee's financial stability. Therefore, the Division has determined that it would be inappropriate to express an opinion on financial stability for those years based on forecasts. As an alternative, TTMA management was requested to advise the Division of its plans for any significant financing and investing activities for years 1998 and 1999. In response, management represented by letter dated May 19, 1995, that capital expenditures for 1998 and 1999 will be comparable to the amount currently forecasted for 1995, 1996 and 1997, which is approximately [REDACTED] in each year, except for expenditures to expand its facility, for which capital financing will be required. Additionally, virtually all of TTMA's long-term debt will mature on November 15, 1999. Division's Initial Report at 18 to 21. TTMA intends to [REDACTED] these obligations prior to their maturity.

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Based on the Division's analysis and the information submitted by management concerning proposed capital expenditures and debt maturities in 1998 and 1999, the Division has no information at this time as to any material events that are likely to impact negatively on TTMA's ability to meet its operating expenses and financial commitments through a four-year license period. The licensee and the Commission should be aware, however, that the Division intends to review TTMA's financial results and forecasts mid-way through the four-year license term. Hence, the Division will be relying on the licensee's duty to cooperate and the Division's investigative authority to conduct this review. See N.J.S.A. 5:12-76 and 80d.

VI. CONDITIONS

The Commission imposed 16 conditions on TTMA when it renewed its casino license in 1993. Resolution No. 93-74 at pages 5 through 10. TTMA has continued to comply with these conditions.

The Division will recommend various conditions be imposed on TTMA at the time its casino license is renewed. Some of these conditions will be identical to those previously imposed; some will be modified; others, based upon developments during the past two years as well as from the time of the filing of this supplemental report until the time of the renewal proceedings, will be completely new. Accordingly, the Division withdraws its recommendations for conditions 1 through 11, as set forth in the Division Initial Report. Ibid. at 30r to 33r. Rather, the

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Division will submit recommended conditions prior to the renewal proceedings in a separate report that will address conditions for all three casinos for which DJT is a qualifier.


VII. CONCLUSION

Based on the information contained in the Division's Initial Report, this supplemental report and others that the Division may file, including a report that updates and analyzes the financial position of Donald J. Trump, a qualifier of TTMA, the Division has no objection to the Commission renewing the casino license of TTMA for a term of up to four years, subject to the imposition of various conditions as will be set forth in a separate report to the Commission prior to the renewal proceedings.

Respectfully submitted,

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DIRECTOR

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